

# **Alaska Tourism Industry Crisis Recovery Plan**

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## SUMMARY

The terrorist attacks that occurred on September 11, 2001 are having an extraordinary impact on the travel industry throughout the world. As a result, consumers are more reluctant to fly, are planning to travel closer to home, are uncertain about the future and are less willing to commit to long-term travel plans. This will have a profound impact on Alaska's visitor industry and the state's economy.

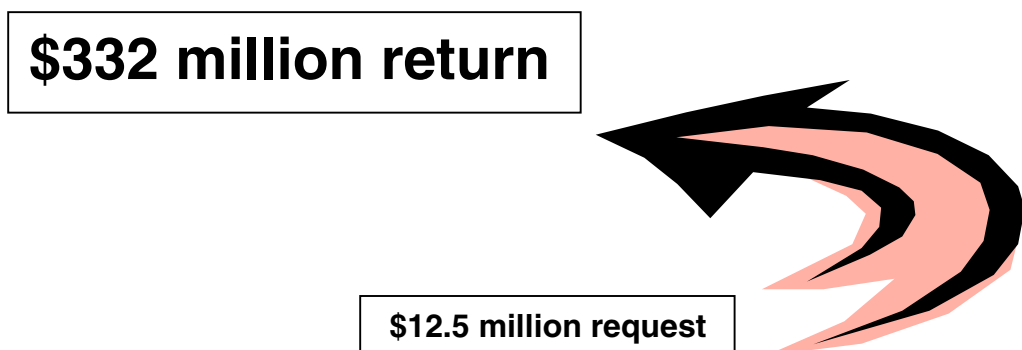
**WHAT DOES THIS MEAN FOR ALASKA?** The forecast is bleak. A current survey of more than 300 visitor industry businesses shows a decline of roughly 23% in inquiries and bookings for the upcoming season. Many Alaska businesses may be forced to close due to the significant downturn in the number of visitors coming to the state because they cannot financially withstand a negative year.

Research also indicates current marketing efforts may yield significantly fewer visitors. To protect our market share and strive to maintain visitation, adjustments are being made to current marketing efforts to bolster programs that stimulate inquiries and attract more visitors.

**IMPACT ON ALASKA.** A decrease in visitors coming to the state will mean less revenue for Alaska visitor industry businesses and municipalities that are funded in part through bed taxes. This in turn, will trickle through all areas of the state's economy. Businesses have indicated they are cutting back on business upgrades and improvements to lessen their debt load in anticipation of an extremely tight year. The impact of reduced development spending on top of reduced visitor spending will effect many sectors of the Alaskan economy that benefit from visitor spending.

**WHAT NEEDS TO BE DONE?** Marketing efforts need to be increased immediately in order to increase interest in visiting Alaska this year. Competition for those visitors willing to fly has become extremely competitive with destinations around the world marketing furiously to maintain their share of the pie. If Alaska is going to compete, additional financial resources are needed in order to get Alaska's message into the national marketplace. Recent surveys indicate consumers are most likely to travel domestically and inclined to stay closer to home, so marketing efforts will be focused wholly on domestic markets.

**ATIA REQUEST AND EXPECTED RESULTS.** The Alaska Travel Industry Association (ATIA) is requesting \$12.5 million for implementation of emergency marketing programs to lessen the impact of the September 11 terrorist attacks. This campaign will generate an additional 182,850 visitors to the state this season, each spending an average of \$726 per trip. This equates to an overall economic impact of \$332 million in direct and indirect spending. **This is a return rate of more than 26:1.**



## SITUATION OVERVIEW

Unquestionably, the events of September 11 severely impacted the travel and tourism industry nationwide. The total U.S. job losses are estimated to be up to one million. Estimates by the World Travel & Tourism Council indicate a 10% reduction in the volume of business would result in 8.8 million job losses out of 207 million employed worldwide.

National surveys taken over the last two months paint a negative forecast. According to the Travel Business Roundtable (10/31/01):

- 17% of all travelers say they are traveling less
- One out of every 20 trips is being cancelled
- 13% of leisure travelers have either cancelled, put on hold, or are still uncertain about whether they will take an upcoming trip

Closer to home, a December 1 survey of Alaska businesses throughout the state, conducted by GMA Research, shows:

- An average drop of 23% in bookings compared to last year
- 23% fewer inquiries from potential visitors compared to last year

Results from a separate survey of respondents to the state marketing program, conducted November 28, suggest:

- 1-in-3 people who indicated they were definitely planning to visit the state prior to 9/11 now indicate they are less committed to visiting, with 1-in-10 having made the decision not to visit this year
- Only 1-in-10 who have decided to visit, have actually made reservations or finalized their travel plans
- 10% of survey respondents say they are less likely to travel on vacation in general

## POSSIBLE OUTCOMES OF THESE REDUCTIONS IN ALASKA

- **10% decrease in visitors → loss of 140,000 visitors → loss of \$101.6 million in visitor spending and 1,564 travel related jobs**
- **20% decrease in visitors → loss of 280,000 visitors → loss of \$203.3 million in economic impact and 3,127 travel related jobs**

There is no timeline on the war against terrorism and this will undoubtedly have a negative impact on the psychology of future travelers. Add to this a recession in the U.S. and there is a great likelihood that Americans will spend less on travel and stay closer to their own homes.

Destinations continue to implement supplemental marketing plans to minimize losses. The impacts vary among the states but it is anticipated that destinations more accessible by cars and trains will benefit at the expense of destinations primarily accessible by plane, such as Alaska.

The Air Transport Association reports domestic revenue passenger miles have dropped by 21.1% and International by 37.3%. According to the Travel Industry Association of America (TIA), U.S. travel in the fourth quarter dropped significantly and the projections are soft for the first quarter. Over 50 percent of Alaska's non-resident visitors arrive or depart by plane.

Because the majority of travelers to Alaska arrive by air, visitation to the state may be impacted to a greater degree than those states that are easily reached by road or rail. According to NFO Plog Research's Travel Confidence Survey, conducted October 3-8, total air passengers are down by 23% over last year.

International flight itineraries to Alaska from Asian markets have been cut. Alaska Airlines flights were reduced by 15%. Delta Airlines ended service to Fairbanks in October.

The cruise industry has repositioned ships to Alaska but a significant number of cancellations to the industry, as a whole, could reach the \$2 billion mark according to industry analyst Lazard Freres. Even with increased ship activity to Alaska, there are no guarantees that these vessels will operate at near capacity and incentive discounts could translate to significant reductions in land-based expenditures in Alaska.

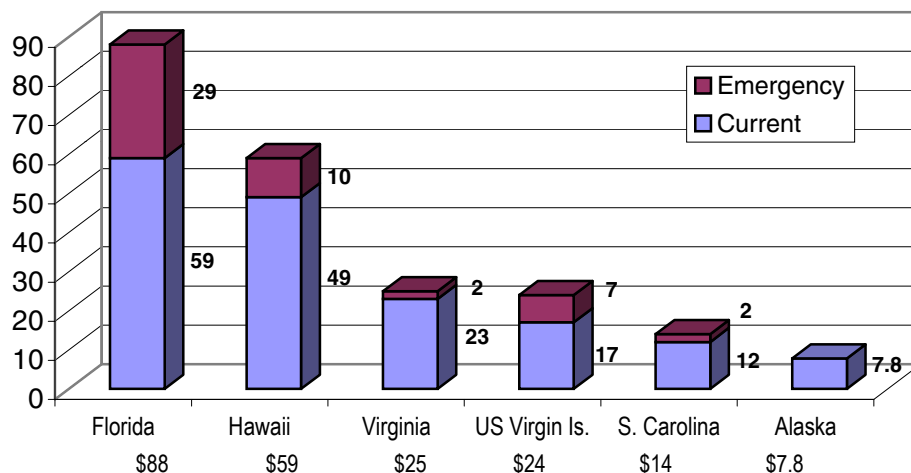
The result is that more Americans will travel closer to home, or not at all. Inbound international travel is also expected to decline. Travel and tourism related operations will suffer business declines or erosion of profits in 2002 with small businesses particularly vulnerable. Long-term predictions will depend upon a return of consumer spending, the public's willingness to travel and Alaska's ability to compete with other destinations for market share.

### Competition

Within 60 days of the attacks, many destinations were already in the marketplace with multi-million dollar marketing plans in order to lessen the impact of September 11 on travel to their destination. Some of these destinations are shown below.

To understand the overall competitive marketing picture for Alaska you must understand the state's pre-September 11 position. Before the attacks, Alaska was at a significant marketing disadvantage compared to other states. Alaska's current marketing budget – \$7.8 million – is far below the average state marketing budget of \$13.7 million for 2000-2001. Alaska is also low in terms of state funding for tourism, ranking 36th out of 50 states.

Compounding the problem, countries, states and even cities have received emergency state funds to bolster their tourism marketing efforts. The Alaska Travel Industry Association is requesting \$12.5 million from the state for a national emergency marketing campaign so Alaska can compete against destinations that are aggressively targeting U.S. consumers.



\*Rounded to the nearest million

<b>COUNTRY</b>	<b>Emergency Funds*</b>
Travel Industry Association of America	\$20
Caribbean	\$16
Canadian Tourism Commission	\$15
Puerto Rico	\$15
Mexico	\$6 – 8
Barbados	\$6
European Travel Commission	\$3

<b>CITY</b>	<b>Emergency Funds*</b>
New York City	\$40
Las Vegas	\$13
Miami	\$2

\*Rounded to nearest million

### **Opportunity**

Due to state department warnings about potential dangers to Americans traveling overseas, consumers with European or Australian travel plans may consider a trip within the United States this year instead.

Within our own country, significant portions of the population may hesitate to travel to the East Coast. Significant numbers of travelers from the West Coast and Canada may show renewed interest in visiting Alaska.

Targeted marketing efforts to the lower 48 states could also encourage people who are thinking of postponing a trip to Alaska to visit this year.

## **VALUE OF TOURISM TO ALASKA AND ITS ECONOMY**

Visitors spend about \$949 million annually in Alaska. Therefore, if there is a decline in the number of visitors, businesses will feel the impact in the form of lower sales.

### **WHAT IS A VISITOR WORTH?**

- **Visitors spend an estimated \$726 per-person, per-trip**
- **Total direct full-year spending for all visitors is \$949 million**
- **Visitor industry accounts for approximately 30,700 Alaska jobs, or 1-in-8 private sector jobs**

### **Tourism Revenue**

Prior to September 11, Alaska received – by current estimations – approximately 1.4 million visitors per year. These visitors injected over \$124 million directly into state and local treasuries in the form of taxes, fees and other assessments.

### **Jobs for Alaskans**

Tourism is Alaska's second largest private sector employer, accounting for one-in-eight private sector jobs. This means that 30,700 Alaskans are directly or indirectly employed in the tourism industry (full-time, year-round equivalent). The visitor industry has a 78% resident hire rate, the highest of all industries.

Many visitor-related companies throughout the U.S. have laid-off employees due to the downturn in travel and the economic belt-tightening occurring across America. By aggressively promoting travel to Alaska, we hope to maintain the number of Alaskans employed in the visitor industry and the economic benefit of visitor spending within the state.

## **RECOVERY PLAN OBJECTIVES**

The overall purpose of the campaign will be to pre-empt the dramatic decline in travel to Alaska this year and the devastating effect it will have on the state's economy. Preserving small businesses that make up the backbone of Alaska's tourism industry will be a priority.

### **RECOVERY PLAN OBJECTIVES**

- **Encourage previous inquirers to proceed with their travel plans**
- **Increase efforts to convince those "willing to travel" to come to Alaska**
- **Target various sectors of trade that are in key positions to affect destination choices**
- **Remind consumers that Alaska is part of the United States**

The recovery plan will rely on advertising, public relations, Internet, research, travel trade and resident travel campaigns to accomplish the recovery plan objectives.

### **Timing**

It is crucial that Alaska increase its presence in the national marketplace immediately. Each day delay translates to lost bookings and lost revenue. Bookings for Alaska travel are down significantly – some businesses are reporting reservations for next summer are down more than 50% over last year.

ATIA Images 2000 research indicates about half (49%) of all visitors DECIDED to visit Alaska within six months of actual travel. **We are now in that critical decision-making time period.** In addition, roughly half (49%) of Alaska's actual visitors BOOKED their Alaska trip within 3-6 months prior to travel. If aggressive efforts are not taking immediately, the impact could be devastating to many of Alaska's small tourism businesses. The time to act is now.

## RECOVERY PLAN AND DELIVERABLES

This crisis recovery plan - by necessity – is considered dynamic and may be adjusted based on changing market conditions and updated research results.

### ADVERTISING

- Aggressive television advertising campaign launched to elevate interest in visiting Alaska this year and enhance performance of other marketing efforts. Data indicates the effectiveness of other marketing such as magazine and direct mail greatly increases when TV advertising runs concurrently.
  - TV campaign will generate 100,000 requests for trip-planning information and bring 42,100 visitors to the state.
  - Television ads will include a toll-free 800# and website address so potential visitors may request Alaska trip-planning information. This will generate exposure for the more than 1,000 Alaska businesses with advertisements in the Planner and on the website.
  - Existing film footage will be used in production of television ads to ensure Alaska's message can be placed on the air as soon as funding is available.
  - Television ads will run on national cable network stations.
- Page-dominant Alaska newspaper advertisements placed in 25 national markets and sub-markets.
  - Newspaper campaign will generate 13,000 responses and bring 10,400 visitors to the state.
  - Newspaper advertising placements will leverage travel sections, thereby increasing editorial exposure for Alaska. Research indicates newspaper articles are highly credible, and therefore a very effective method to communicate Alaska's message.
  - Alaska's small tourism businesses partner directly with ATIA to participate in the national newspaper campaign. This partnership provides greater media exposure for smaller tourism businesses than they could achieve on their own.
  - Toll-free 800# and the [www.travelalaska.com](http://www.travelalaska.com) website address will be included in newspaper advertising, allowing potential visitor to access specific information on more than 1,000 Alaska tourism businesses.
- 2.5 million direct mail packages delivered to targeted independent travel prospects to encourage them to visit Alaska and persuade visitors not to postpone travel plans.
  - Direct mail campaign will generate 135,000 responses and bring 33,400 visitors to the state.
  - A modified direct mail package will be sent to roughly 452,000 potential visitors that have already indicated they are interested in visiting Alaska to encourage them to travel this year.



- An additional 2 million direct mail packages will be sent to individual consumers using targeted direct mail lists with proven track records.
  - Direct mail packages will include multiple response options including a toll-free 800#, URL, postage-paid return request card and write-to address to assist potential visitors in obtaining Alaska travel information.
- Printed information, including the Official State Vacation Planner, will be produced in order to respond to inquiries.
- It will be necessary to send additional trip planning information in order to generate the same number of actual visitors as in previous years.

## **PUBLIC RELATIONS**

- Whistle Stop promotion conducted to spotlight Alaska and generate news coverage that will capture the imagination of people of all ages.
- Whistle Stop promotion will result in \$200,000 in national editorial coverage for Alaska and bring 1,400 visitors to the state.
  - ATIA will directly reach 20 key editorial publications and/or broadcast stations, along with 150 key travel agencies over the course of the promotion.
  - ATIA will partner with the Alaska Railroad to transport a railcar to Vancouver, BC for travel along the West Coast. Stops along the way will generate news events targeting media and travel trade in order to boost awareness and knowledge of Alaska.
  - Well-known Alaska dignitaries and celebrities will be invited to travel on the train and attend media/trade events to boost interest in Alaska and generate news exposure.
  - Tie-in marketing may include trip and merchandise give-aways, travel press receptions featuring Alaska food and drink, and distribution of Alaska trip-planning information.
- West Coast Editor Briefings scheduled with 60 key travel editors from influential consumer and travel trade publications along the West Coast.
- Elevate awareness of Alaska and establish ATIA as a resource for editors so they will consider writing Alaska stories.
  - One-on-one editor briefings will leverage ATIA's ongoing media relations efforts and ensure greater editorial reach in those markets.
  - Extensive follow-up efforts with editors will ensure editor needs for story ideas, photography and other information are being met. This follow-up greatly facilitates the process for getting Alaska stories into the marketplace.
- Two-minute television advertorial (combination of advertisement message and editorial comment) placed on West Coast cable stations to showcase the beauty and splendor of Alaska.
- Advertorial will result in 25,700 responses and generate 10,800 visitors to the state.

- Advertorial will air on West Coast cable stations, reaching more than 500,000 viewers.
- Messages contained in the advertorial will echo those included in the Official State Vacation Planner and Invitation to Alaska brochure and will also include testimonials from well-known celebrities who have visited Alaska.
- An online micro site will link to the Official State Travel Website. This will allow ATIA to capture relevant information from potential visitors for use in future marketing efforts.

## INTERNET

- Additional multi-media features will be added to the official Alaska travel site [www.travelalaska.com](http://www.travelalaska.com) to increase traffic to the site and elevate interest in Alaska.
  - Enhanced features will encourage longer online visits and lead to more extensive search of the website. This increases exposure for Alaska businesses.
  - Incorporating messages from other media campaigns will enhance overall performance of all marketing efforts by providing reinforcement of key messages.
- Utilize Internet advertising and opt-in email – also referred to as permission email – to complement traditional advertising programs and achieve an efficient level of national reach.
  - Internet advertising campaigns will generate 96,000 responses and bring 51,500 visitors to the state.
  - Placement of banner advertisements and pop-up ads on websites and search engines will encourage click-through to [www.travelalaska.com](http://www.travelalaska.com).
  - Targeted opt-in email lists will reach approximately 800,000 individual consumers already indicating they are interested in receiving travel-related information.
  - Opt-in email messages featuring the Governor will be tested, with the most favorable messages being used for larger mailings.
    - Messages will reflect current events and traveler attitudes/concerns.
    - Tests will be conducted against the current Governor message and evaluated on regular basis to ensure the most effective version is used.
- Implement an interactive Travel Alaska television series and Internet promotion to boost interest in travel to Alaska in West Coast markets.
  - Campaign will generate 62,500 responses and bring 26,300 visitors to the state.
  - Partnering with highly rated West Coast morning television programs, a six-week series of Alaska segments will be produced featuring Alaska trips (i.e., camping adventure, fishing trip, cultural expedition).
  - Alaska trips will be promoted on television and station websites, allowing viewers to learn about different adventures Alaska has to offer. Selected families will be profiled and viewers will be asked to vote for the family they would like to see 'win' the Alaska vacation.

- Promotion will include the message “travel close to home” to boost interest from consumers living in the Western U.S. that may be interested in a vacation closer to home.

## **RESEARCH**

- To ensure Alaska is positioned to react to changes in the marketplace, continual travel trend research will be conducted to measure the terrorist attack impact on attitudes and travel plans among potential visitors.
  - Provide a constant barometer of changes in travel plans to help the state and tourism businesses assess the upcoming travel season.
  - Will allow ATIA to modify its marketing message and approach to optimize success in convincing consumers to travel to Alaska this year.
  - Travel agents will be contacted to gauge attitudes and trends among travel trade and their clients.

## **TRAVEL TRADE**

- Conduct retail travel agent training programs.
  - Partner with quality, high producing travel agencies in known productive markets to conduct Alaska travel training in their regional offices.
- Place advertising in U.S. trade publications to ensure Alaska is foremost in the mind of travel agents when they suggest possible travel destinations to their clients.
  - Partner with leading trade publications to produce cooperative marketing inserts to reach travel agencies throughout the U.S. with Alaska’s message. Alaska information will also be posted simultaneously on publication websites.
  - Partner with trade marketing organizations, to produce Alaska travel planners for distribution to group leaders, tour operators, motor coach operators and travel professionals.
- Direct mail campaign to travel agencies across the U.S.
  - Send Alaska travel information to U.S. travel agents, using targeted mailing lists, in order to put Alaska trip-planning tools into the hands of those selling travel. A postage paid card will be included so individual requests may be facilitated.
  - Engage in cooperative mailing programs with tour operators specializing in Alaska travel in order to reach their prospective Alaska clients.
- Participate in trade shows to elevate interest in Alaska and establish direct relationships with travel agents so further marketing and education may be conducted.
  - Attend U.S. trade shows to increase awareness of Alaska, provide product information and offer trip-planning tools to those actively booking Alaska travel.

- Forge cooperative promotions with leading tour companies to facilitate direct contact with highly qualified tour guides and encourage new Alaska packages being marketed and sold.
- Share leads with businesses so they may conduct their own marketing.

## **RESIDENT TRAVEL**

- Encourage residents and visiting friends and relatives to travel instate.
  - Television campaign will reach more than 110,000 viewers and result in 20,000 visitors traveling within Alaska.
  - Television spots will encourage residents to invite their friends and relatives to visit the state and experience a true Alaskan adventure.
  - TV advertisements will augment current marketing efforts. By extending the campaign, we can ensure the “stay home - discover your own back yard” message reaches a greater number of residents and leads to higher visitation.
- Conduct a statewide newspaper advertising campaign targeted at Alaskan residents, to elevate interest in Alaska vacations accessible by car, train, ferry or short plane trips.
  - Newspaper advertising will be placed in major publications throughout the state and reinforce messages being delivered through television.
  - The State Vacation Planner will be offered free-of-charge to residents and their friends and relatives by calling a unique 800#, writing or visiting the website. Residents will be driven to an online Alaska Resident interface page tied to the Official Alaska Travel Website.
- Implement an aggressive Public Relations outreach to local media, in order to promote Alaska vacations and encourage residents and visiting friends and relatives to visit near-by communities.
  - Press kit will supply feature and business writers comprehensive information about Alaska tourism and facilitate publication of Alaska travel stories.
  - Resident Travel promotion will increase awareness among residents of the many wonders Alaska has to offer and encourage exploration of Alaskan communities.

## RECOVERY BUDGET

A 28 member broad-based committee charged with developing the marketing plan believes \$12.5 million is needed to implement this crisis recovery plan. Without additional funding Alaska will continue to lose market share to destinations that are aggressively reaching out to those consumers willing to travel this year. As more destinations receive emergency marketing funds to counter the effects of September 11, Alaska becomes even more vulnerable to losing visitors to destinations that are actively marketing.

Adjustments are already being made to the current core marketing program, but it won't be enough to offset the decrease in inquiries and visitation to Alaska. It is also worth noting that **the travel industry has already contributed \$1.2 million ABOVE the required state match in FY02** in an effort to boost Alaska's marketing position among competing destinations.

Television Campaign	\$8,080,000
Newspaper Campaign	425,000
Direct Mail Campaign	975,000
Online Campaign	650,000
State Vacation Planner/800#	464,000
Public Relations Campaign	722,000
Website Development/Promotion	300,000
TV Advertorial	250,000
Research	54,000
Travel Trade Training/Marketing	280,000
Instate Travel Campaign	300,000
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TOTAL:	\$12,500,000

## RETURN ON INVESTMENT

Overall, the campaign will:

- Generate an estimated 182,850 visitors to the state this year.
- Result in a direct economic impact of \$132.7 million as a based on each visitor spending an average of \$726 on their Alaska vacation. This translates into 2,042 jobs.
- Total economic impact of \$332 million (direct and indirect spending) based on data indicating the average visitor dollar circulates through the Alaska economy about two and a half times before leaving the state.
- Replace those visitors who decide not to travel to Alaska this year as a result of economic or crisis impacts. Current estimates suggest that Alaska visitation could decline 10-20% from its present estimated level of 1.4 million. Economic impacts could be:
  - 10% decrease in visitors ➡ loss of \$101.6 million in visitor spending ➡ 1,564 jobs
  - 20% decrease in visitors ➡ loss of \$203.3 million in visitor spending ➡ 3,127 jobs

### RESULTS OF \$12.5 MILLION TOURISM MARKETING CAMPAIGN

- **Delivers 182,850 visitors to the state THIS year**
- **Generates \$132.7 million in direct revenue**
- **Saves 2,042 jobs**
- **Translates to \$332 million in direct/indirect spending**